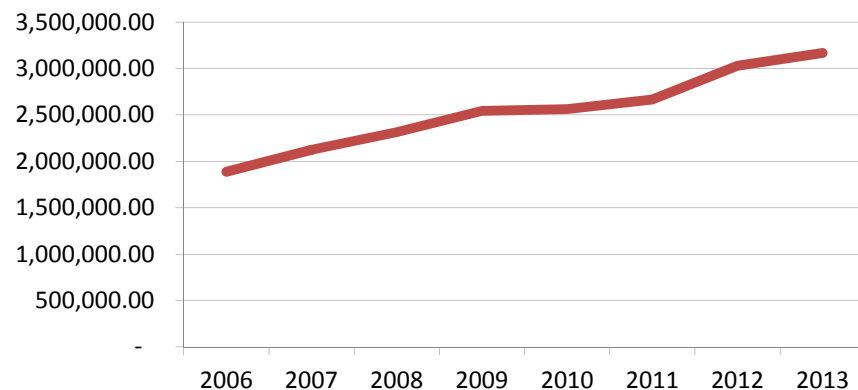


Understanding Middlesex Retirement Costs

• How is the Retirement System Funded?

- Employer Contributions
 - Assessment based on our own employee's, retirees, salary, disability, mortality rates, etc.
- Employee Contributions
 - Hire Date Prior to 1/1/1975 5%
 - After 1/1/1975 and prior to 1/1/1984 7%
 - After 1/1/1984 and prior to 7/1/1996 8%
 - After 1/1/1996 9%
 - After 1/1/1979 (earnings over 30k) +2%
- Return on Investments
 - Actuarial rate of return 8.125%
 - Losses and gains "smoothed" over 5 years

Middlesex Retirement Assessment



• What is the "Unfunded Pension Liability?"

- The single sum value of lifetime benefits to existing pensioners
- 63% of assessment towards unfunded liability
- Insufficient employee contributions in the 70's and 80's, reduced employer share contributions during years of market gains, reluctance to decrease actuarial investment assumptions, and some well publicized pension loop holes lead to the deficit

• Pension Law Reform Highlights

- Eliminated one day for one year service for elected officials
- Elected officials must serve ten years to become vested
- Eliminated "working out of grade" disability calculations
- Extend full funding of retirement systems to 2040 – Middlesex target is 2035
- Increase minimum retirement age and maximum benefit age
- Retirement calculation based on highest earning five years instead of three

Note: Teachers contribute to Mass. Teacher's Retirement which is funded by the State. There is no town appropriation.

June 20, 2012

